



California

Forms & Instructions

3500

1997

Exemption Application Booklet

This booklet contains two copies of:

FTB 3500, Exemption Application, Page 3

Use form FTB 3500 to obtain exemption from California income or franchise taxes.

Members of the Franchise Tax Board

Kathleen Connell, Chair

Ernest J. Dronenburg, Jr., Member

Craig L. Brown, Member



State of California
Franchise Tax Board

Procedural Checklist

Make sure your application is complete.

If you do not complete all applicable parts of form FTB 3500, Exemption Application, or do not provide all required attachments, additional correspondence will be necessary in order to complete the review of your application. This will delay processing and may delay the effective date of your exemption or result in denial of the application.

Have you:

_____ Completed Side 1, including item 1a through item 6g? **Note:** Attach a statement if you need to clarify an answer to any of these questions.

_____ Included the \$25 application fee?

_____ Signed the application?
(The application must be signed by an authorized representative of the organization, and the signature must be the original, not a copy.)

_____ Included the information and documents requested on Side 2, item 7a through item 7j?

_____ Completed the appropriate lines for your organization on Side 2, item 8 through Side 5, item 24d?

Failure to furnish ALL of the above may delay the effective date of your exemption or result in the denial of the application.

Note: Retain a copy of the completed form FTB 3500 and all attachments for the organization's permanent records.

Exemption Application

3500

Every organization filing an application for exemption from California corporation franchise or income tax must furnish the information and data specified and pay the required \$25 application fee. If the organization fails to comply with these requirements, the application will be denied. California Revenue and Taxation Code (R&TC) Section 19565 provides that this application, together with any supporting documents, shall be open to public inspection if the exemption is granted. Upon the organization's request, public disclosure of such documents may be withheld if the disclosure would adversely affect the organization or national defense.

Name of organization as shown in your organization's articles or declaration of trust		Federal employer identification number (FEIN)	
Address (number and street)		Daytime telephone number	
City, Town, or Post Office	State	ZIP code	
Name of representative to be contacted regarding additional requirements or information		Daytime telephone number	
Representative's mailing address			
City, Town, or Post Office	State	ZIP code	

ALL applicants must complete item 1 through item 6 and furnish the information requested on Sides 2 through 6 as applicable.

Attach check or money order here.

1 a Enter the California R&TC Section under which exemption is claimed. See General Information C _____

b Primary activity of organization: _____

2 a What is the form of the organization? ☐ Incorporated ☐ Currently being incorporated ☐ Unincorporated association ☐ Trust
Date organized _____

b If incorporated, furnish the following information:
(1) Date incorporated _____ (2) California corporation number _____
(3) If incorporated in another state, identify the state _____

3 a Has this organization or its predecessor(s) previously applied for exemption? ☐ Yes ☐ No

b If "yes," check the appropriate box(es) below and enter either "Granted" or "Denied" and also enter the date the exemption was "Granted" or "Denied" after the box(es) checked:
☐ California _____ Date _____ ☐ Federal _____ Date _____ ☐ Other State _____ Date _____

c Enter the number under which the organization previously filed with the Franchise Tax Board (FTB) _____.

Furnish copies of any determination letters received.

4 a Has the organization filed federal income tax returns? ☐ Yes ☐ No

b If "yes," state type of returns and years filed. _____

5 Annual accounting period (must end on last day of the month). _____

6 a Is this a new organization? If "no," attach a statement indicating the name of the predecessor(s), the period during which it was in existence, the reasons for its termination and the number under which it previously filed with the FTB

b Is this a membership organization? If "yes," attach a statement that fully explains the qualifications for members, the different classes of membership, the number of members in each class and the voting rights and privileges accorded each class.

c Has the organization made, or are there plans to make, any distribution of its property or surplus to officers or members? If "yes," attach a detailed statement

d Will any of the incorporators share any facilities with the organization? If "yes," attach a detailed explanation

e Will any property be rented, purchased or transferred in any way from any of the incorporators? If "yes," attach a detailed explanation

f Will any promoter, incorporator, founder or member be employed by the organization? If "yes," furnish complete details, including duties, responsibilities, qualifications and compensation

g Will any member of the board of directors be compensated for services other than services performed as a board member, e.g., officer, and/or employee? If "yes," furnish the name(s) of the director(s), and the amount(s) of compensation for each. Also list the names of the other directors, indicating their blood or marriage relationship, if any, to the compensated director(s).

Yes	No

Be sure to include the \$25 application fee. Make the check or money order payable to the Franchise Tax Board. Do not send cash. Allow 60 working days for processing.

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

DATE SIGNATURE OF OFFICER OR REPRESENTATIVE TITLE

7 TO ENSURE THAT THE FTB WILL PROCESS YOUR EXEMPTION APPLICATION, ATTACH THE FOLLOWING INFORMATION TO YOUR APPLICATION.

- a If the organization is incorporated: submit a copy of the endorsed articles of incorporation and all subsequent amendments. If it is **currently** being incorporated: submit proposed articles that were sent to the Office of the Secretary of State with the application. If it is **not** incorporated: submit a copy of the constitution, articles of association, declaration of trust or other document setting forth the aims and purposes of the organization and signed by the principal officers or trustees.
- b A copy of the bylaws, proposed bylaws or other code of regulations.
- c Complete statements of receipts and expenditures, assets and liabilities for each accounting period that the organization was in existence and **for which exemption is requested** (do not send bank statements or monthly reports). Organizations that have not commenced operations or have been operating less than one year, see item "7d" below. See the Receipts and Expense Statement on Side 6.
- d A proposed budget showing the sources of income and areas of expenditures for the first year of operation of a newly formed organization or one commencing operations. The budget is required before the FTB will process the application and should be based upon the most reasonable expectations. See the Receipts and Expense Statement on Side 6.
- e A statement describing the specific purposes for which the organization was formed. Do not quote the articles of incorporation or bylaws for this purpose.
- f A statement describing in detail the programs and activities that the organization presently conducts or will conduct and how it will accomplish its specific purposes.
- g A statement describing in detail each fund-raising activity and each business enterprise the organization has engaged in or plans to engage in either alone or with other parties (accompanied by copies of all agreements, if any, for the conduct of each fund-raising activity or business enterprise).
- h A statement that fully explains any discontinued specific activities that the organization has engaged in or sponsored. Give dates of commencement and termination and the reasons for discontinuance.
- i A copy of each lease, if any, in which the organization is the lessee or lessor of property (real, personal, gas, oil or mineral), or in which an interest is owned under such lease, together with copies of all agreements with other parties for development of the property.
- j Samples of any literature that the organization sells or distributes and samples of any organizational advertising.

Each item listed below refers to a separate California Revenue and Taxation Code (R&TC) section. Select the appropriate section under which your organization claims exemption and provide the requested information.

- 8 R&TC Section 23701a – Labor, agricultural or horticultural organization:** Submit an explanation of any services to be performed for members. Cooperative organizations applying for exemption under R&TC Section 23701a must submit a copy of the federal exemption letter showing exemption under IRC Section 501(c)(5).
- 9 R&TC Section 23701b – Fraternal beneficiary society, etc.; R&TC Section 23701l – fraternal society:**
- a State whether the organization operates, or plans to operate, under the lodge system or for the exclusive benefit of the members of a lodge system. Operating under the lodge system means carrying on activities under a form of organization that comprises local branches (called lodges, chapters or the like) that are largely self-governing and chartered by a parent organization.
 - b If the organization is a subordinate or local lodge, etc., attach a certificate signed by the secretary of the parent organization, certifying that the subordinate lodge is a duly constituted body operating under the jurisdiction of the parent body.
 - c If the organization is a parent or grand lodge, attach a statement showing the number of subordinate lodges in active operation and whether periodic meetings are actually held.
 - d For R&TC Section 23701b organizations only, attach a statement describing the types of benefits (life, sick, accident or other benefits) paid, or to be paid, to members.
- 10 R&TC Section 23701c – Cemetery company or corporation chartered solely for burial purposes:**
- a Attach these statements and/or documents:
 - (1) Complete copy of the sales contract or other document involved in the organization's acquisition of cemetery property.
 - (2) Complete copy of any contract designating an agent to sell the cemetery plots.
 - (3) Name(s) of officer(s) and director(s) of your organization from the date of incorporation to the present date, and the period for which each held office.
 - (4) Appraised value of cemetery property as of the date acquired (the appraisal should be obtained from sources other than the parties in interest).
 - b Does the organization have or plan to have a perpetual care fund? ☐ Yes ☐ No
If "yes," furnish a copy of the federal exemption letter, a copy of the fund agreement and a statement explaining the nature of such fund (cash, securities, unsold land, etc.). Also attach a statement that fully explains the manner in which the fund is or will be administered, the specific purposes for which the fund is to be used, and the name(s) of the person(s) administering the fund.
 - c Does the organization operate a crematorium? ☐ Yes ☐ No
- 11 R&TC Section 23701d – Religious, charitable, scientific, literary or educational organization:** Attach a statement explaining all "yes" answers in item 11a through item 11d.
- a Has the organization received, or does it expect to receive, 10% or more of its assets from any organization or group of affiliated organizations (affiliated through stockholding, common ownership or otherwise), any individual, or members of a family group (brother or sister whether whole or half blood, spouse, ancestor or lineal descendant)?
 - b Is the organization now, has it ever been, or does it plan to be engaged in carrying on propaganda, or otherwise advocating or opposing pending or proposed legislation (this includes dissemination of such information to the general public while representing the organization)?
 - c Has the organization participated in or does it plan to participate or intervene in any political campaign (including the publishing or distributing of statements) on behalf of, or in opposition to, any candidate for public office?
 - d Does the organization hold, or plan to hold, 10% or more of any class of stock or 10% or more of the total combined voting power of stock in any corporation?
 - e **If claiming exemption as a church,** attach a statement including the information requested in item (1) through item (8) below:
 - (1) Has a permanent place of worship been established? At what address? Who is the legal owner of this property? Describe the physical characteristics of your church buildings. Explain to what extent these buildings are used for purposes other than religious worship.

Yes	No

- (2) Does the organization have a regular congregation or conduct religious services on a regular basis? How many usually attend the regular worship services? Attach samples of worship service programs and newspaper announcements of your activities. Where and how often are religious services held?
- (3) Furnish information regarding the religious background and formal religious training of the religious leaders. Furnish a copy of each religious leader's certificate of ordination.
- (4) What amount of the annual gross income will be received from incorporators, ministers, officers, directors or their families?
- (5) What amount of the organization's proposed expenditures will be used for the personal living expenses of the individuals mentioned in item (4) above?
- (6) How many hours per week will the religious or spiritual leader(s) devote to organizational activities? Will this person(s) engage in employment unrelated to the activities of the organization? If so, indicate the number of hours per week and describe the employment activity.
- (7) List all the officers, directors, trustees, etc., of the organization and describe their qualifications for such office. Are any of the officers or directors related by blood or marriage? If "yes," explain.
- (8) Will any founder, member or officer:
- Take a vow of poverty?
 - Transfer personal assets to this organization, like a home, automobile, furnishings, business or recreational assets, etc., that will be made available for the personal use of the donor(s)?
 - Assign or donate to the organization income that will be used in part or whole to pay the donor(s) as salary, stipend or living allowance (such as food, medical expenses, clothing, insurance, etc.)?
- 12 R&TC Section 23701e – Business league, chamber of commerce, etc.:** Has the organization performed, or does it plan to perform, particular services for members, shareholders or others, such as furnishing credit reports or collection accounts, inspecting products, conducting advertising, purchasing merchandise or other similar undertakings? ☐ Yes ☐ No If "yes," attach a detailed statement, including income realized and expenses incurred in such activities. If engaged in advertising, attach samples of material.
- 13 R&TC Section 23701f – Civic leagues, social welfare organizations, and local associations of employees:**
- If you are applying as a civic league or social welfare organization, you must attach a statement explaining how you will promote the common good or welfare of an entire community.
 - If you are applying as a local association of employees, attach a statement giving the names and addresses of employers that have employees who are eligible for membership in the association. If an employer has employees (who are eligible for membership) located in more than one plant or office, give the address of each plant or office.
- 14 R&TC Section 23701g – Social and recreational organization:**
- Has the organization solicited, or does it plan to solicit, public patronage of the facilities by advertisement or otherwise? If "yes," attach sample copies of such advertisements or other solicitations
 - Are nonmembers, other than bona fide guests of members, permitted, or will they be permitted, to use the club facilities or participate in or attend any functions or activities conducted by the organization? If "yes," attach a statement describing the functions or activities in which nonmembers have participated or will participate, or to which they have been or will be admitted. If nonmembers have participated in or have been admitted to any functions or activities, state the amount received from nonmembers. Provide a schedule in the statement detailing the expenses attributable to such nonmembers, the expenses attributable to such functions, and the disposition made of net profits, if any, derived from the functions
 - Has the organization rented or leased, or does it plan to rent or lease, any part of the club's property to others? If "yes," attach a statement indicating the reason for such action, or proposed action, and the amount received, or to be received. Also attach copies of the rental agreements or leases
 - Has the organization derived or will it derive any income from nonmembers not explained above? If "yes," explain in detail
 - Furnish a statement separating the member and nonmember income for the past three years and a proposed budget separating member and nonmember income for the next period of operation.
 - Enter the total number of club members: _____. If there are different classes of membership, attach a statement explaining the dues and privileges of each class.
 - Provide copies of:
 - House rules;
 - All other documents used in considering or granting memberships, including agreements or contracts, if any; and
 - Copies of corporate resolutions demonstrating adoption of policy or change of policy regarding membership or use of facilities.
- 15 R&TC Section 23701h – Title holding corporation:**
- Attach a statement giving the complete names and addresses of organizations for which title to property is held, the number of shares of capital stock held and whether shares of stock have ever been held by persons other than such organizations. If stock was so held, include the years held and the total number of shares of each class of stock.
Note: Section 23701h requires turning over net income to a parent organization periodically; therefore, incorporating as a nonprofit corporation under the California Corporations Code precludes exempt status under that section. Section 5410 and Section 7411 of the Corporations Code prohibit any distribution to members of nonprofit public benefit corporations or nonprofit mutual benefit corporations unless the organization dissolves.
 - State whether the annual income (less expenses) is, or will be, turned over to the organization for which title to property is held. Explain what disposition will be made of income that will not be turned over to the organization.
 - Attach a copy of an exemption letter (federal or California) for each organization for which property will be held. If property will be held for organization(s) located in California, you must furnish a California exemption letter.
- 16 R&TC Section 23701i – Voluntary employees' beneficiary organization:** Furnish a copy of the federal determination letter showing exemption under IRC Section 501(c)(9).
- 17 R&TC Section 23701n – Supplemental unemployment compensation trust:** Attach a copy of the supplemental unemployment benefit plan and pertinent agreements and a copy of the federal determination letter.
- 18 R&TC Section 23701q – Group legal services plan:** Furnish a copy of the federal determination letter showing exemption under IRC Section 501(c)(20).

Yes	No

19 R&TC Section 23701t – Homeowners' association:

- a Furnish a copy of the Declaration of Covenants, Conditions and Restrictions.
- b Will any of the individual units/lots owned by the organization or its members be occupied for other than personal residential purposes?
☐ Yes ☐ No If "yes":
- (1) What percentage of the units/lots will be used for nonresidential purposes? _____
- (2) If the organization claims exemption as a condominium management association, enter square footage of all units and square footage devoted to residential purposes. All units _____ Residential _____
- (3) If the organization claims exemption as a residential real estate management association, enter the local real property zoning for lots within the association. Total number of lots _____ Number of lots zoned residential _____
- (4) What percentage of the organization's total gross income will be derived from dues, fees or assessments from nonresidential members? _____
- c Will this organization own, maintain or operate a mutual water company, well, electrical generating facility or other utility? ☐ Yes ☐ No
If "yes," describe in detail and answer these questions:
- (1) Are the members/shareholders the actual users of the utility or simply investors? ☐ Yes ☐ No
- (2) Is this organization furnishing utilities to (check applicable box(es)): ☐ residential homes, ☐ commercial businesses (including agricultural enterprises)? If both, indicate what percent of this organization's total income will be derived from sale of utilities for nonresidential usage. _____
- (3) How are members/shareholders assessed for utilities usage? Are they assessed equally or on the basis of square footage/acreage?
- (4) Are meters utilized to determine charges to members/stockholders? If yes, provide a detailed breakdown on how rates are determined.
- d Will any of the units/lots be rented by a person, or series of persons, for periods of less than 30 days that, when added together, equal more than half of the association's taxable year? ☐ Yes ☐ No If "yes," what percentage of the units/lots are rented in this manner? _____
- e What date was the first unit sold, or when will the first unit be available for sale? _____
- f What date did the association become active? _____ Provide details of these activities.
-

20 R&TC Section 23701u – Public facility financial corporation:

- a Attach samples of all certificates of participation or other securities to be issued.
- b Attach copies of all leases, contracts, trust agreements or other agreements that have been, or will be, entered into by this corporation.

21 R&TC Section 23701v – Mobile home park acquisition association:

- a Are all members of the organization owners of manufactured homes or mobile home tenants of the mobile home park? ☐ Yes ☐ No
If "no," explain the circumstances under which other individuals can become members of the organization.
- b Describe the mobile home park in which owner/tenant members reside.
- c Are all lots within the park rented or leased to mobile home or manufactured home owners? ☐ Yes ☐ No If "no," explain.
- d Does the rent paid by each owner include rental for the lot occupied by the mobile home or manufactured home? ☐ Yes ☐ No If "no," explain.
- e Will the organization carry on activities other than purchasing or preparing to purchase the mobile home park in which members reside? ☐ Yes ☐ No If "yes," describe in detail the other activities and indicate the percentage of total operations represented by such activities.

22 R&TC Section 23701w – War veteran's organization:

To be completed by a post or organization of past or present members of the Armed Forces of the United States.

- a What is the total membership of your post or organization? _____
- b How many of your members are present or former members of the Armed Forces of the United States? _____
- c How many members are cadets (include students in college, university or armed services academies)? _____ How many are spouses, widows or widowers of cadets or past or present members of the Armed Forces of the United States? _____
- d Do you have a membership category other than the ones set out above? ☐ Yes ☐ No If "yes," please explain in detail and enter the number of members in this category. _____

To be completed by an auxiliary unit or society of a post or organization of past or present members of the Armed Forces of the United States.

- e Are you affiliated with and organized according to the bylaws and regulations formulated by such an exempt post or organization? ☐ Yes ☐ No
- f How many members do you have? _____
- g How many members are past or present members of the Armed Forces of the United States, or have spouses or persons related to them within two degrees of blood relationship (grandparents, brothers, sisters and grandchildren are the most distant relationships allowable) that are past or present members of the Armed Forces of the United States (enter total)? _____
- h Are all of the members themselves members of a post or organization, past or present members of the Armed Forces of the United States, or spouses of members of such a post or organization, or related to members of such a post or organization within two degrees of blood relationship?
☐ Yes ☐ No If "no," explain in detail.

23 R&TC Section 23701x – Title holding organization:

- a Attach a statement giving the complete names and addresses of organizations or trusts for which title to property is being held and the number of shares of capital stock held by each entity.
- b State whether the annual income (less expenses) is, or will be, turned over to the organizations for which title to property is held. Explain what disposition will be made of the income that is not or will not be turned over to the organizations.
- c Furnish a copy of a federal determination letter for each organization or trust for which property is or will be held.
- d For those organizations of trust for which property is or will be held and which do not have a federal determination letter, provide detailed information to show that each shareholder is:
- (1) A governmental plan described in IRC Section 414(d); or

(2) The United States, any state or political subdivision thereof, or any agency or instrumentality of the foregoing.

- e State the total number of stockholders or beneficiaries.
- f Describe in detail each class of stock or beneficial interest.

Note: Section 23701x requires turning over net income to specified parent organizations periodically; therefore, incorporating as a nonprofit corporation under the California Corporations Code precludes exempt status under that section. Section 5410 and Section 7411 of the Corporations Code prohibit any distribution to members of nonprofit public benefit corporations or nonprofit mutual benefit corporations unless the organization dissolves.

24 R&TC Section 23701z – Self-Insurance pools for charitable organizations:

- a Provide a list of names and federal employer identification numbers (FEINs) for all participants in the pool.
- b Describe in detail the activities of each participating corporation.
- c Furnish a copy of the latest federal determination letter showing exemption under IRC Section 501, for each participating corporation.
- d Describe in detail all insurance services to be provided to members of the pool.

Receipts and Expense Statement

Complete information is required to adequately respond to Items 7c or 7d on Side 2. The statement below represents the basic financial details necessary to complete your request for exemption. You may substitute your own receipts and expenditure statement, or statements, but the details **must** be complete as indicated in the schedule. Failure to provide complete financial information can result in denial of the exemption application without further correspondence.

- For each year exempt status is requested, provide the financial information represented in the schedule below.
- If you have had financial activities for less than one year, provide a financial statement for the period of activities, and a projected budget for the entire first year.
- If you have had no financial activity, provide a proposed budget for the entire first year of operations. The proposed budget should be based on your most reasonable expectations.

Calendar or Fiscal Year Ending

RECEIPTS	Current year	3 preceeding years for each year in existence			Total
	19 ____	19 ____	19 ____	19 ____	
Gifts					
Special grants					
Unusual grants					
Contributions received.					
Fund raising					
Membership income.					
Nonmembership income (for 23701g)					
Membership dues and assessments (for 23701t)					
Other business income					
Gross investment income.					
Gross royalty income					
Gross rental income.					
Gross receipts from admissions					
Gross receipts from commissions					
Gross receipts from sale of merchandise					
Gross receipts from services provided.					
Gross receipts from furnishing of facilities.					
Gain or loss from sale of capital assets.					
Other income (attach sheet itemizing each type).					
TOTAL RECEIPTS					
EXPENSES					
Fund raising expenses					
Contributions, gifts, grants, and similar amounts paid					
Disbursements to or for member benefit					
Compensation of officers					
Compensation of directors					
Compensation of trustees.					
Rental income expenses					
Other salaries and wages					
Occupancy (rents).					
Other expenses (including all operational and administrative expenses – attach sheet).					
TOTAL EXPENSES					
Excess of receipts over expenses					

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Name of organization as shown in your organization's articles or declaration of trust		Federal employer identification number (FEIN)	
Address (number and street)		Daytime telephone number	
City, Town, or Post Office	State	ZIP code	
Name of representative to be contacted regarding additional requirements or information		Daytime telephone number	
Representative's mailing address			
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Attach check or money order here.

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b If "yes," check the appropriate box(es) below and enter either "Granted" or "Denied" and also enter the date the exemption was "Granted" or "Denied" after the box(es) checked:
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Furnish copies of any determination letters received.

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f Will any promoter, incorporator, founder or member be employed by the organization? If "yes," furnish complete details, including duties, responsibilities, qualifications and compensation

g Will any member of the board of directors be compensated for services other than services performed as a board member, e.g., officer, and/or employee? If "yes," furnish the name(s) of the director(s), and the amount(s) of compensation for each. Also list the names of the other directors, indicating their blood or marriage relationship, if any, to the compensated director(s).

Yes	No

Be sure to include the \$25 application fee. Make the check or money order payable to the Franchise Tax Board. Do not send cash. Allow 60 working days for processing.

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

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- 9 R&TC Section 23701b – Fraternal beneficiary society, etc.; R&TC Section 23701l – fraternal society:**
- a State whether the organization operates, or plans to operate, under the lodge system or for the exclusive benefit of the members of a lodge system. Operating under the lodge system means carrying on activities under a form of organization that comprises local branches (called lodges, chapters or the like) that are largely self-governing and chartered by a parent organization.
 - b If the organization is a subordinate or local lodge, etc., attach a certificate signed by the secretary of the parent organization, certifying that the subordinate lodge is a duly constituted body operating under the jurisdiction of the parent body.
 - c If the organization is a parent or grand lodge, attach a statement showing the number of subordinate lodges in active operation and whether periodic meetings are actually held.
 - d For R&TC Section 23701b organizations only, attach a statement describing the types of benefits (life, sick, accident or other benefits) paid, or to be paid, to members.
- 10 R&TC Section 23701c – Cemetery company or corporation chartered solely for burial purposes:**
- a Attach these statements and/or documents:
 - (1) Complete copy of the sales contract or other document involved in the organization's acquisition of cemetery property.
 - (2) Complete copy of any contract designating an agent to sell the cemetery plots.
 - (3) Name(s) of officer(s) and director(s) of your organization from the date of incorporation to the present date, and the period for which each held office.
 - (4) Appraised value of cemetery property as of the date acquired (the appraisal should be obtained from sources other than the parties in interest).
 - b Does the organization have or plan to have a perpetual care fund? ☐ Yes ☐ No
If "yes," furnish a copy of the federal exemption letter, a copy of the fund agreement and a statement explaining the nature of such fund (cash, securities, unsold land, etc.). Also attach a statement that fully explains the manner in which the fund is or will be administered, the specific purposes for which the fund is to be used, and the name(s) of the person(s) administering the fund.
 - c Does the organization operate a crematorium? ☐ Yes ☐ No
- 11 R&TC Section 23701d – Religious, charitable, scientific, literary or educational organization:** Attach a statement explaining all "yes" answers in item 11a through item 11d.
- a Has the organization received, or does it expect to receive, 10% or more of its assets from any organization or group of affiliated organizations (affiliated through stockholding, common ownership or otherwise), any individual, or members of a family group (brother or sister whether whole or half blood, spouse, ancestor or lineal descendant)?
 - b Is the organization now, has it ever been, or does it plan to be engaged in carrying on propaganda, or otherwise advocating or opposing pending or proposed legislation (this includes dissemination of such information to the general public while representing the organization)?
 - c Has the organization participated in or does it plan to participate or intervene in any political campaign (including the publishing or distributing of statements) on behalf of, or in opposition to, any candidate for public office?
 - d Does the organization hold, or plan to hold, 10% or more of any class of stock or 10% or more of the total combined voting power of stock in any corporation?
 - e **If claiming exemption as a church,** attach a statement including the information requested in item (1) through item (8) below:
 - (1) Has a permanent place of worship been established? At what address? Who is the legal owner of this property? Describe the physical characteristics of your church buildings. Explain to what extent these buildings are used for purposes other than religious worship.

Yes	No

- (2) Does the organization have a regular congregation or conduct religious services on a regular basis? How many usually attend the regular worship services? Attach samples of worship service programs and newspaper announcements of your activities. Where and how often are religious services held?
- (3) Furnish information regarding the religious background and formal religious training of the religious leaders. Furnish a copy of each religious leader's certificate of ordination.
- (4) What amount of the annual gross income will be received from incorporators, ministers, officers, directors or their families?
- (5) What amount of the organization's proposed expenditures will be used for the personal living expenses of the individuals mentioned in item (4) above?
- (6) How many hours per week will the religious or spiritual leader(s) devote to organizational activities? Will this person(s) engage in employment unrelated to the activities of the organization? If so, indicate the number of hours per week and describe the employment activity.
- (7) List all the officers, directors, trustees, etc., of the organization and describe their qualifications for such office. Are any of the officers or directors related by blood or marriage? If "yes," explain.
- (8) Will any founder, member or officer:
- Take a vow of poverty?
 - Transfer personal assets to this organization, like a home, automobile, furnishings, business or recreational assets, etc., that will be made available for the personal use of the donor(s)?
 - Assign or donate to the organization income that will be used in part or whole to pay the donor(s) as salary, stipend or living allowance (such as food, medical expenses, clothing, insurance, etc.)?
- 12 R&TC Section 23701e – Business league, chamber of commerce, etc.:** Has the organization performed, or does it plan to perform, particular services for members, shareholders or others, such as furnishing credit reports or collection accounts, inspecting products, conducting advertising, purchasing merchandise or other similar undertakings? ☐ Yes ☐ No If "yes," attach a detailed statement, including income realized and expenses incurred in such activities. If engaged in advertising, attach samples of material.
- 13 R&TC Section 23701f – Civic leagues, social welfare organizations, and local associations of employees:**
- If you are applying as a civic league or social welfare organization, you must attach a statement explaining how you will promote the common good or welfare of an entire community.
 - If you are applying as a local association of employees, attach a statement giving the names and addresses of employers that have employees who are eligible for membership in the association. If an employer has employees (who are eligible for membership) located in more than one plant or office, give the address of each plant or office.
- 14 R&TC Section 23701g – Social and recreational organization:**
- Has the organization solicited, or does it plan to solicit, public patronage of the facilities by advertisement or otherwise? If "yes," attach sample copies of such advertisements or other solicitations
 - Are nonmembers, other than bona fide guests of members, permitted, or will they be permitted, to use the club facilities or participate in or attend any functions or activities conducted by the organization? If "yes," attach a statement describing the functions or activities in which nonmembers have participated or will participate, or to which they have been or will be admitted. If nonmembers have participated in or have been admitted to any functions or activities, state the amount received from nonmembers. Provide a schedule in the statement detailing the expenses attributable to such nonmembers, the expenses attributable to such functions, and the disposition made of net profits, if any, derived from the functions
 - Has the organization rented or leased, or does it plan to rent or lease, any part of the club's property to others? If "yes," attach a statement indicating the reason for such action, or proposed action, and the amount received, or to be received. Also attach copies of the rental agreements or leases
 - Has the organization derived or will it derive any income from nonmembers not explained above? If "yes," explain in detail
 - Furnish a statement separating the member and nonmember income for the past three years and a proposed budget separating member and nonmember income for the next period of operation.
 - Enter the total number of club members: _____. If there are different classes of membership, attach a statement explaining the dues and privileges of each class.
 - Provide copies of:
 - House rules;
 - All other documents used in considering or granting memberships, including agreements or contracts, if any; and
 - Copies of corporate resolutions demonstrating adoption of policy or change of policy regarding membership or use of facilities.
- 15 R&TC Section 23701h – Title holding corporation:**
- Attach a statement giving the complete names and addresses of organizations for which title to property is held, the number of shares of capital stock held and whether shares of stock have ever been held by persons other than such organizations. If stock was so held, include the years held and the total number of shares of each class of stock.
Note: Section 23701h requires turning over net income to a parent organization periodically; therefore, incorporating as a nonprofit corporation under the California Corporations Code precludes exempt status under that section. Section 5410 and Section 7411 of the Corporations Code prohibit any distribution to members of nonprofit public benefit corporations or nonprofit mutual benefit corporations unless the organization dissolves.
 - State whether the annual income (less expenses) is, or will be, turned over to the organization for which title to property is held. Explain what disposition will be made of income that will not be turned over to the organization.
 - Attach a copy of an exemption letter (federal or California) for each organization for which property will be held. If property will be held for organization(s) located in California, you must furnish a California exemption letter.
- 16 R&TC Section 23701i – Voluntary employees' beneficiary organization:** Furnish a copy of the federal determination letter showing exemption under IRC Section 501(c)(9).
- 17 R&TC Section 23701n – Supplemental unemployment compensation trust:** Attach a copy of the supplemental unemployment benefit plan and pertinent agreements and a copy of the federal determination letter.
- 18 R&TC Section 23701q – Group legal services plan:** Furnish a copy of the federal determination letter showing exemption under IRC Section 501(c)(20).

Yes	No

19 R&TC Section 23701t – Homeowners' association:

- a Furnish a copy of the Declaration of Covenants, Conditions and Restrictions.
- b Will any of the individual units/lots owned by the organization or its members be occupied for other than personal residential purposes?
☐ Yes ☐ No If "yes":
- (1) What percentage of the units/lots will be used for nonresidential purposes? _____
- (2) If the organization claims exemption as a condominium management association, enter square footage of all units and square footage devoted to residential purposes. All units _____ Residential _____
- (3) If the organization claims exemption as a residential real estate management association, enter the local real property zoning for lots within the association. Total number of lots _____ Number of lots zoned residential _____
- (4) What percentage of the organization's total gross income will be derived from dues, fees or assessments from nonresidential members? _____
- c Will this organization own, maintain or operate a mutual water company, well, electrical generating facility or other utility? ☐ Yes ☐ No
If "yes," describe in detail and answer these questions:
- (1) Are the members/shareholders the actual users of the utility or simply investors? ☐ Yes ☐ No
- (2) Is this organization furnishing utilities to (check applicable box(es)): ☐ residential homes, ☐ commercial businesses (including agricultural enterprises)? If both, indicate what percent of this organization's total income will be derived from sale of utilities for nonresidential usage. _____
- (3) How are members/shareholders assessed for utilities usage? Are they assessed equally or on the basis of square footage/acreage?
- (4) Are meters utilized to determine charges to members/stockholders? If yes, provide a detailed breakdown on how rates are determined.
- d Will any of the units/lots be rented by a person, or series of persons, for periods of less than 30 days that, when added together, equal more than half of the association's taxable year? ☐ Yes ☐ No If "yes," what percentage of the units/lots are rented in this manner? _____
- e What date was the first unit sold, or when will the first unit be available for sale? _____
- f What date did the association become active? _____ Provide details of these activities.
-

20 R&TC Section 23701u – Public facility financial corporation:

- a Attach samples of all certificates of participation or other securities to be issued.
- b Attach copies of all leases, contracts, trust agreements or other agreements that have been, or will be, entered into by this corporation.

21 R&TC Section 23701v – Mobile home park acquisition association:

- a Are all members of the organization owners of manufactured homes or mobile home tenants of the mobile home park? ☐ Yes ☐ No
If "no," explain the circumstances under which other individuals can become members of the organization.
- b Describe the mobile home park in which owner/tenant members reside.
- c Are all lots within the park rented or leased to mobile home or manufactured home owners? ☐ Yes ☐ No If "no," explain.
- d Does the rent paid by each owner include rental for the lot occupied by the mobile home or manufactured home? ☐ Yes ☐ No If "no," explain.
- e Will the organization carry on activities other than purchasing or preparing to purchase the mobile home park in which members reside? ☐ Yes ☐ No If "yes," describe in detail the other activities and indicate the percentage of total operations represented by such activities.

22 R&TC Section 23701w – War veteran's organization:

To be completed by a post or organization of past or present members of the Armed Forces of the United States.

- a What is the total membership of your post or organization? _____
- b How many of your members are present or former members of the Armed Forces of the United States? _____
- c How many members are cadets (include students in college, university or armed services academies)? _____ How many are spouses, widows or widowers of cadets or past or present members of the Armed Forces of the United States? _____
- d Do you have a membership category other than the ones set out above? ☐ Yes ☐ No If "yes," please explain in detail and enter the number of members in this category. _____

To be completed by an auxiliary unit or society of a post or organization of past or present members of the Armed Forces of the United States.

- e Are you affiliated with and organized according to the bylaws and regulations formulated by such an exempt post or organization? ☐ Yes ☐ No
- f How many members do you have? _____
- g How many members are past or present members of the Armed Forces of the United States, or have spouses or persons related to them within two degrees of blood relationship (grandparents, brothers, sisters and grandchildren are the most distant relationships allowable) that are past or present members of the Armed Forces of the United States (enter total)? _____
- h Are all of the members themselves members of a post or organization, past or present members of the Armed Forces of the United States, or spouses of members of such a post or organization, or related to members of such a post or organization within two degrees of blood relationship?
☐ Yes ☐ No If "no," explain in detail.

23 R&TC Section 23701x – Title holding organization:

- a Attach a statement giving the complete names and addresses of organizations or trusts for which title to property is being held and the number of shares of capital stock held by each entity.
- b State whether the annual income (less expenses) is, or will be, turned over to the organizations for which title to property is held. Explain what disposition will be made of the income that is not or will not be turned over to the organizations.
- c Furnish a copy of a federal determination letter for each organization or trust for which property is or will be held.
- d For those organizations of trust for which property is or will be held and which do not have a federal determination letter, provide detailed information to show that each shareholder is:
- (1) A governmental plan described in IRC Section 414(d); or

(2) The United States, any state or political subdivision thereof, or any agency or instrumentality of the foregoing.

- e State the total number of stockholders or beneficiaries.
- f Describe in detail each class of stock or beneficial interest.

Note: Section 23701x requires turning over net income to specified parent organizations periodically; therefore, incorporating as a nonprofit corporation under the California Corporations Code precludes exempt status under that section. Section 5410 and Section 7411 of the Corporations Code prohibit any distribution to members of nonprofit public benefit corporations or nonprofit mutual benefit corporations unless the organization dissolves.

24 R&TC Section 23701z – Self-Insurance pools for charitable organizations:

- a Provide a list of names and federal employer identification numbers (FEINs) for all participants in the pool.
- b Describe in detail the activities of each participating corporation.
- c Furnish a copy of the latest federal determination letter showing exemption under IRC Section 501, for each participating corporation.
- d Describe in detail all insurance services to be provided to members of the pool.

Receipts and Expense Statement

Complete information is required to adequately respond to Items 7c or 7d on Side 2. The statement below represents the basic financial details necessary to complete your request for exemption. You may substitute your own receipts and expenditure statement, or statements, but the details **must** be complete as indicated in the schedule. Failure to provide complete financial information can result in denial of the exemption application without further correspondence.

- For each year exempt status is requested, provide the financial information represented in the schedule below.
- If you have had financial activities for less than one year, provide a financial statement for the period of activities, and a projected budget for the entire first year.
- If you have had no financial activity, provide a proposed budget for the entire first year of operations. The proposed budget should be based on your most reasonable expectations.

Calendar or Fiscal Year Ending

<u>RECEIPTS</u>	Current year	3 preceeding years for each year in existence			Total
	19 ____	19 ____	19 ____	19 ____	
Gifts					
Special grants					
Unusual grants					
Contributions received.					
Fund raising					
Membership income.					
Nonmembership income (for 23701g)					
Membership dues and assessments (for 23701t).					
Other business income					
Gross investment income.					
Gross royalty income					
Gross rental income.					
Gross receipts from admissions					
Gross receipts from commissions					
Gross receipts from sale of merchandise					
Gross receipts from services provided.					
Gross receipts from furnishing of facilities.					
Gain or loss from sale of capital assets.					
Other income (attach sheet itemizing each type).					
TOTAL RECEIPTS					
<u>EXPENSES</u>					
Fund raising expenses					
Contributions, gifts, grants, and similar amounts paid					
Disbursements to or for member benefit					
Compensation of officers					
Compensation of directors					
Compensation of trustees.					
Rental income expenses					
Other salaries and wages					
Occupancy (rents).					
Other expenses (including all operational and administrative expenses – attach sheet).					
TOTAL EXPENSES					
Excess of receipts over expenses					

Instructions for Form FTB 3500

Exemption Application

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997**, and to the California Revenue and Taxation Code (R&TC).

General Information

Organizations that incorporate as nonprofit organizations are not automatically exempt from tax. The organization must apply separately for tax-exempt status.

Because California and federal laws are generally the same in this area, it is recommended that you obtain federal application forms and draft articles for both the state and federal application forms at the same time. In some cases, California may require that the organization obtain a federal determination of its tax-exempt status prior to issuing a state exemption determination letter.

If you have already obtained a federal exemption, furnish a copy of the federal determination letter with this application.

The fact that an organization is exempt from federal income tax does not automatically exempt it from California tax. It must apply separately for exemption from California tax.

Trusts

Trusts must furnish a copy of the federal determination letter before state exemption will be granted. If the trust has not applied for a federal exemption, it should do so.

Attach a statement to form FTB 3500 stating that the federal application was submitted.

Trusts organized and operated for purposes described in R&TC Section 23701d are treated as nonprofit organizations for exemption purposes.

Political Organizations

A political organization meeting the requirements of R&TC Section 23701r is not required to file form FTB 3500 with the Franchise Tax Board (FTB). However, a political organization must obtain a letter from the FTB certifying exemption if it wants to incorporate and avoid the prepayment of the minimum franchise tax. For further information about political organizations, get FTB Pub. 1075, Exempt Organizations — Guide for Political Organizations.

To obtain a letter certifying exemption, the political organization must submit a written request to the Exempt Organizations Section. This request must include a description of the political organization's activities. Mail your request to:

EXEMPT ORGANIZATIONS SECTION
FRANCHISE TAX BOARD
PO BOX 1286
RANCHO CORDOVA CA 95741-1286

Education IRAs

Effective for income years beginning January 1, 1998 or later, Individual Retirement Accounts (IRAs) established in accordance with R&TC Section 23712 to fund higher education costs are exempt from taxation. They are **not** required to file Form 3500. However, if unrelated business income in excess of \$1,000 is received, Form 109, California

Exempt Organization Business Income Tax Return, must be filed.

A Purpose

All corporations and unincorporated associations, even if organized on a nonprofit basis, are subject to California corporation franchise or income tax.

To be exempt from tax, an organization must file form FTB 3500 and be granted exempt status by the FTB.

An unincorporated association that has exempt status must reapply for exemption if it incorporates.

B When and What to File

To allow adequate time for processing, submit the application at least 60 working days before exemption is needed.

The exemption package you submit must include:

1. A completed form FTB 3500, with an original signature of an authorized individual, such as:
 - An elected officer;
 - A director;
 - An authorized representative; or
 - A trustee (if your organization is a trust).
2. Application fee of \$25 (make the check or money order payable to Franchise Tax Board).
3. The information and documents requested on Side 2, item 7a through item 7j.
4. The appropriate information and documents required by Side 2, item 8 through Side 5, item 24, for the R&TC section under which exemption is being sought.

C Comparable State and Federal Code Sections

To qualify for exemption, an organization must be organized and operated for purposes described in one of these R&TC Sections (23701a - 23701z):

R&TC	IRC	Purpose
23701a	501(c)(5)	Labor, agricultural or horticultural organizations
23701b	501(c)(8)	Fraternal beneficiary societies
23701c	501(c)(13)	Cemeteries, crematoriums
23701d	501(c)(3)	Religious, charitable, scientific, literary or educational organizations
23701e	501(c)(6)	Business leagues, chambers of commerce, etc.

R&TC	IRC	Purpose
23701f	501(c)(4)	Civic leagues or social welfare and local assoc. of employees
23701g	501(c)(7)	Social and recreational clubs
23701h	501(c)(2)	Title holding corp.
23701i	501(c)(9)	Voluntary employees' beneficiary organizations
23701j	501(c)(11)	Teachers' retirement funds
23701k	501(d)	Apostolic organizations
23701l	501(c)(10)	Fraternal societies
23701n	501(c)(17)	Supplemental unemployment compensation trusts
23701q	501(c)(20)	Group legal services plans
23701r	527	Political organizations
23701t	528	Homeowners' assoc.
23701u	None	Public facility financial corporations
23701v	None	Mobile home park associations
23701w	501(c)(19)	War veteran's organizations
23701x	501(c)(25)	Title holding organizations
23701z	501(n)	Self-insurance pools for charitable organizations

D Incorporating in California

There are two methods by which nonprofit organizations may incorporate in California:

- Immediate incorporation; or
- Delayed incorporation.

A. Immediate Incorporation

Do not send form FTB 3500 to the Office of the Secretary of State.

1. Mail the items listed below directly to:

ATTN LEGAL REVIEW
OFFICE OF THE
SECRETARY OF STATE
1500 11TH STREET
SACRAMENTO CA 95814-2974
1-916-657-5448

- The original plus four copies of the articles of incorporation; and
- A check payable to the Office of the Secretary of State for the minimum franchise tax plus the appropriate Secretary of State fees for filing the articles of incorporation.

2. If the proposed articles satisfy the requirements of the California Nonprofit Corporation Law, the Secretary of State will file the original, endorse any remaining copies of the articles of incorporation and return the endorsed copies to the organization.

After you receive the endorsed articles of incorporation, mail the items listed in General Information B, to:

EXEMPT ORGANIZATIONS SECTION
FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-4041

If the articles of incorporation need to be amended or if more information is required, the FTB will contact the officer or representative designated on form FTB 3500.

If the organization qualifies for exemption, the FTB will mail the organization a state exemption determination letter.

B. Delayed Incorporation

1. To avoid paying the minimum franchise tax, you may delay incorporation (and secure exemption prior to the filing of the articles of incorporation) by mailing the items listed below directly to the Office of the Secretary of State:
 - The original and at least four copies of the proposed articles of incorporation;
 - A check payable to the Secretary of State for the filing fee;
 - A completed, signed form FTB 3500 (original signature required) with all the required information and supporting data; and
 - A check or money order for the \$25 application fee, payable to the Franchise Tax Board.
2. If the proposed articles satisfy the requirements of the Corporation Law, the Secretary of State will notify you by letter and forward to the Franchise Tax Board one copy of the proposed articles, form FTB 3500, all supporting documents and the application fee.

If more information is needed or if the articles need to be revised, the Franchise Tax Board will contact the officer or representative designated on the application form.

If the organization qualifies for exemption, the Franchise Tax Board will mail a state exemption determination letter to the organization and the Office of the Secretary of State. The Secretary of State will then file (endorse) the articles.

C. Previous Incorporation

If the organization is already incorporated, follow the instructions for immediate incorporation (General Information D, A. 2).

E Qualifying in California

If the organization is incorporated in another state or country, it is considered to be a "foreign corporation."

To qualify the foreign corporation for exemption in California, the organization must comply with the Secretary of State's qualification procedures and the FTB's requirements for exemption.

There are two methods by which foreign corporations may qualify in California:

- Immediate qualification; or
- Delayed qualification.

The instructions for immediate or delayed qualification are the same as those for the immediate or delayed incorporation of organizations incorporating in California, except for the documents required.

A. Immediate Qualification

1. Follow the instructions for immediate incorporation (General Information D, A), but include the following documents, in lieu of the articles of incorporation, in the organization's mailing to the Office of the Secretary of State:
 - A certificate of good standing from the state or country having custody of the original articles; and
 - A completed Statement and Designation by Foreign Corporation (available on request from the Office of the Secretary of State).
- If the Secretary of State is satisfied that the organization meets the requirements of the California Corporation Code, the Secretary of State will file the original Statement and Designation, endorse any extra copies and issue a Certificate of Qualification to the organization.
2. In addition to the documents referred to in General Information D, A. 2, the organization must include the following documents in its mailing to the FTB:
 - An **endorsed** copy of the Statement and Designation by Foreign Corporation;
 - A copy of the federal exemption determination letter; and
 - Copies of the federal information returns for the last three years of operation. This will satisfy the financial data requirements.

If the organization qualifies for exemption, the FTB will mail the organization a state exemption determination letter.

B. Delayed Qualification

1. Follow the instructions for delayed incorporation (General Information D, B), but include the following documents, in lieu of the articles of incorporation, in the organization's mailing to the Office of the Secretary of State:
 - A certificate of good standing as described in General Information E, A. 1;
 - A completed Statement and Designation by Foreign Corporation (available on request from the Office of the Secretary of State);
 - A copy of the federal exemption determination letter; and
 - Copies of the federal information returns for the last three years of operation.
2. The Secretary of State will review these documents for compliance. If they are

acceptable, the Secretary of State will forward the application and applicable attachments to the FTB.

If the organization qualifies for exemption, the FTB will mail a state exemption determination letter to the organization with a copy to the Office of the Secretary of State, which will file the Statement and Designation by Foreign Corporation, endorse any extra copies and issue a Certificate of Qualification to the organization.

C. Previous Qualification

If the organization is already qualified through the Secretary of State, follow the instructions for immediate qualification (General Information E, A. 2).

F Group Exemption Application

A parent organization desiring group exemption for its California unincorporated subordinates must first establish its own exempt status.

It must file a separate form FTB 3500 for a group exemption with a cover letter stating that the subordinates are affiliated and are subject to the parent's general supervision and control.

The parent must also furnish this additional information with form FTB 3500:

- A sample copy of a uniform charter;
- An affirmation that the subordinates are operating in accordance with their stated purposes;
- A statement that the subordinates have furnished written authorization to be included with the group exemption application; and
- A list of California subordinates, their organization numbers and current addresses.

G Unincorporated Associations or Trusts

For unincorporated associations or trusts, mail the items listed below directly to:

EXEMPT ORGANIZATIONS SECTION
FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-4041

- A signed form FTB 3500 (original signature required);
- **One** copy of the proposed bylaws and/or constitution, articles of association or trust instrument;
- All required information and supporting documents; and
- A check or money order for the \$25 application fee, payable to Franchise Tax Board.

H Retroactive Exempt Status

The FTB may grant exempt status retroactively for periods in which the organization substantiates that it was organized and operated for exempt purposes.

I Sample Articles and Instructions

The sample articles of incorporation on page 18 are structured to meet the Secretary of State's requirements for incorporating and the requirements necessary for exemption. Organizations incorporating as nonprofit must do so under one of the three sections of the Nonprofit Corporation Law (see Corporation Code Sections 5110, 7110 and 9110).

If an unincorporated association is being incorporated, an article (like the following) must be added: "The name of the existing unincorporated association now being incorporated by the filing of the articles is (state name of your association)." Attach an affidavit of subscribing persons to the articles. See Corporation Code Sections 5121, 7121 and 9121.

The details of the internal operations of the organization should be covered in the bylaws.

Organizations applying for exemption described in R&TC Section 23701d

- Exclusively religious organizations described in R&TC Section 23701d should format their articles after Sample Articles A.
- Organizations described in R&TC Section 23701d, other than exclusively religious organizations, should structure their articles after Sample Articles B.

Article III – Complete the sentence by describing the specific and primary purpose of the organization. Limit it to those activities permitted by the R&TC section under which the exemption is desired.

Article V – Complete the blank spaces provided in Sample Articles B to describe the specific and primary purposes permitted by the applicable R&TC section (i.e., charitable, educational, scientific, etc.).

Article VII and VIII – Do not alter the language in Article VII and VIII of Sample Articles A.

Fill in the two blank spaces provided in Sample Articles B with the organization's purpose and the type of organization to which its assets will be distributed upon dissolution.

Organizations wishing to distribute their assets to a specific organization must provide for an alternate distributee, in case that organization is not in existence or is not exempt under IRC Section 501(c)(3) at the time of distribution. The exception to this rule is where the assets are to be distributed to federal, state, county or city government for public purposes.

Where designation of a specific distributee is desired and the welfare exemption from property taxation will be claimed, you may use this sample dissolution clause to replace Article VIII:

"Upon the dissolution or winding up of this corporation, its assets remaining after the payment of, or provision for the payment of, all debts and liabilities of this corporation, shall be distributed to XYZ corporation if it is then in existence and organized and operated exclusively for charitable and/or religious

purposes and exempt under IRC Section 501(c)(3), but if not then in existence or so organized and operated or exempt, to another organization which is organized and operated exclusively for charitable and/or religious purposes and which has established its tax-exempt status under IRC Section 501(c)(3)."

Organizations applying for exemption described in R&TC Section 23701f that are exclusively for the promotion of social welfare (IRC Section 501(c)(4)) should format their articles after Sample Articles B with these substitutions:

Article V: – fill in blank space with: – change 501(c)(3) to:	Social Welfare 501(c)(4)
Article VI:	Omit
Article VII and VIII: – fill in blank spaces with: – change 501(c)(3) to:	Social Welfare 501(c)(4)

Article VII – R&TC Section 23701f contains a requirement that the assets of the organizations must be dedicated to exempt purposes.

The sample dissolution clause for Article VIII under the section "Organizations Described in R&TC Section 23701d" may be used for this purpose, but should be limited to "charitable" or "social welfare" as shown in the decision table above.

Organizations applying for exemption described in R&TC Section 23701u, public facility financing corporations, use Sample Articles B with these changes:

Article V: – change 501(c)(3) to:	501(c)(4)
Article VI:	Omit
Article VII and VIII: – fill in blank spaces with: – change 501(c)(3) to:	Public R&TC Section 23701d, 23701f or 23701u or IRC Section 501(c)(3) or 501(c)(4)

Organizations applying for exemption under R&TC Sections other than 23701d, 23701f, 23701h, 23701u, or 23701x should structure their articles after Sample Articles C.

Article III – Enter in the blank space the specific and primary purpose of the organization. Limit it to those activities permitted by the R&TC section under which the exemption is desired.

Note: These articles are not required to have a clause dedicating assets to charitable purposes. However, any organization may elect to distribute its assets to charitable organizations upon dissolution without restricting the assets to such use during the organization's existence.

Veterans' organizations are entitled to the welfare (property tax) exemption but must dedicate their assets to "charitable" purposes. See Sample Articles B, Articles VII and VIII.

Exception – Organizations applying for exemption under R&TC Section 23701g as social or recreation clubs must be operated for the enjoyment of members and supported

primarily by dues, fees and assessments paid by members.

Any income from nonmember sources may be taxable as unrelated business income and, if it is substantial, the club may lose its exempt status.

A social club may have a fund raising event for a charitable organization and pay over the net proceeds to the charity without losing its exempt status. Social clubs contemplating fund raising drives should include this clause:

"If this organization holds any event(s) to which the general public are invited to observe or participate in for a fee, the income from the general public, less a proportional share of the expenses which will not benefit members, will be paid over to an organization, which is exempt from income tax under IRC Section 501(c)(3), on an annual basis."

Unincorporated association creating document

An unincorporated association must have a creating document that meets certain minimum requirements. The document must contain:

- The name of the organization;
- The specific and primary purpose of the organization; and
- A statement indicating that the organization is organized for nonprofit purposes and that the individual members will not derive profit from the organization.

The sample unincorporated association creating documents on page 19 are structured to meet these requirements.

Qualification for exemption under R&TC Section 23701d requires a political limitation clause and a dedication/dissolution clause. See Sample A on page 19.

Note: Only R&TC Section 23701d organizations require a political limitation clause.

Qualification for exemption under R&TC Section 23701f requires a dedication/dissolution clause. See Sample B on page 19.

Sample Articles A
(nonprofit **RELIGIOUS** corporation)
ARTICLES OF INCORPORATION OF
(CORPORATION NAME)

I

The name of this corporation is _____.

II

This corporation is a religious corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Religious Corporation Law exclusively for religious purposes.

III

The specific purpose of this corporation is to _____.

IV

The name and address in the State of California of this corporation's initial agent for service of process is: _____.

V

This corporation is organized and operated exclusively for religious purposes within the meaning of IRC Section 501(c)(3).

VI

No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

VII

The property of this corporation is irrevocably dedicated to religious purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.

VIII

Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for religious purposes and which has established its tax-exempt status under IRC Section 501(c)(3).

DATE

(Signature of Incorporator)

(Type name of Incorporator)

Sample Articles B
(nonprofit **PUBLIC BENEFIT** corporation)
ARTICLES OF INCORPORATION OF
(CORPORATION NAME)

I

The name of this corporation is _____.

II

This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public [charitable], [public and charitable] purposes.

III

The specific purpose of this corporation is to _____.

IV

The name and address in the State of California of this corporation's initial agent for service of process is: _____.

Sample Articles B (continued)

V

This corporation is organized and operated exclusively for _____ purposes within the meaning of IRC Section 501(c)(3).

VI

No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

VII

The property of this corporation is irrevocably dedicated to _____ purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.

VIII

Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for _____ purposes and which has established its tax-exempt status under IRC Section 501(c)(3).

DATE

(Signature of Incorporator)

(Type name of Incorporator)

Sample Articles C
(nonprofit **MUTUAL BENEFIT** corporation)
ARTICLES OF INCORPORATION OF
(CORPORATION NAME)

I

The name of this corporation is _____.

II

This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under such law.

III

The specific purpose of this corporation is to _____.

IV

The name and address in the State of California of this corporation's initial agent for service of process is: _____.

V

Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this corporation.

DATE

(Signature of Incorporator)

(Type name of Incorporator)

Sample A

Unincorporated Association
Creating Document
23701d

The creating document must contain:

1. The name of the organization.
2. The specific and primary purpose of the organization.
3. A statement indicating that the organization is organized for non-profit purposes and that the individual members will not derive profit therefrom.

The following is acceptable:

This organization is a nonprofit public benefit organization and is not organized for the private gain of any person.

4. A political limitation clause. The following is acceptable:

No substantial part of the activities of this organization shall consist of carrying on propaganda or otherwise attempting to influence legislation, and the organization shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

5. A dedication clause. The following is acceptable:

The property of this organization is irrevocably dedicated to charitable purposes and no part of the net income or assets of this organization shall ever inure to the benefit of any director, officer or private person.

6. A dissolution clause. The following is acceptable:

Upon the dissolution or winding up of the organization, its assets remaining after payment, or provision for payment, of all debts and liabilities of this organization shall be distributed to a nonprofit fund, foundation or corporation, which is organized and operated exclusively for charitable purposes and which has established its tax-exempt status under IRC Section 501(c)(3).

Sample B

Unincorporated Association
Creating Document
23701f

The creating document must contain:

1. The name of the organization.
2. The specific and primary purpose of the organization.
3. A statement indicating that the organization is organized for non-profit purposes and that the individual members will not derive profit therefrom.

The following is acceptable:

This organization is a nonprofit public benefit organization and is not organized for the private gain of any person.

4. A dedication clause. The following is acceptable:

The property of this organization is irrevocably dedicated to social welfare purposes and no part of the net income or assets of this organization shall ever inure to the benefit of any director, officer or private person.

5. A dissolution clause. The following is acceptable:

Upon the dissolution or winding up of the organization, its assets remaining after payment, or provision for payment, of all debts and liabilities of this organization shall be distributed to a nonprofit fund, foundation or corporation, which is organized and operated exclusively for social welfare purposes and which has established its tax-exempt status under IRC Section 501(c)(4).

Sample C

Unincorporated Association
Creating Document
All Others

The creating document must contain:

1. The name of the organization.
2. The specific and primary purpose of the organization.
3. A statement indicating that the organization is organized for non-profit purposes and that the individual members will not derive profit from the organization. The following is suggested:

The organization does not contemplate pecuniary gain or profit to the members thereof and is organized for nonprofit purposes.

4. A limitation clause. The following is acceptable:

Notwithstanding any of the above statements of purposes and powers, this organization shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this organization.

How to Get California Tax Information

(Keep this page for future use.)

F.A.S.T. Toll-Free Phone Service

Call **Fast Answers** about **State Taxes**, the F.A.S.T. toll-free phone service you can use to:

- Get recorded answers to many of your questions about California taxes; and
- Order California income tax forms.

F.A.S.T. is available in English and Spanish to callers with a touch-tone telephone.

When Is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order forms, or to find out about your current tax personal income refund, F.A.S.T. is available from 6:00 a.m. to 10:00 p.m., seven days a week, except state holidays.

How To Use F.A.S.T.

Have paper and pencil handy to take notes.

Call from within the
United States 1-800-338-0505

Call from outside the
United States 1-916-845-6600
(not toll-free)

Follow the recorded instructions and enter the three-digit code when you are instructed to do so.

To Get Information

If you need an answer to any of the following questions, call 1-800-338-0505, select general tax information, follow the recorded instructions and enter the three-digit code when you are instructed to do so.

Code – Prefiling Assistance

- 715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100?
- 717 – What are the tax rates for corporations?
- 718 – How do I get an extension of time to file?
- 722 – When do I have to file a short-period return?
- 730 – May I claim net operating losses in the first year?
- 731 – Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
- 733 – Can the prepayment to the Secretary of State be applied to my last year of business?
- 734 – What is the difference between franchise tax and income tax?

S corporations

- 704 – Is an S corporation subject to the minimum franchise tax?
- 705 – Are S corporations required to file estimate payments?
- 706 – What forms do S corporations file?
- 707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?
- 708 – Where do S corporations make the state tax adjustment on Schedule K-1 (100S)?

Exempt Organizations

- 709 – How do I get tax-exempt status?
- 710 – Does an exempt organization have to file Form 199?
- 735 – How can an exempt organization incorporate without paying corporation fees and costs?
- 736 – I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

Minimum Tax and Estimate Tax

- 711 – Why can't I claim my prepayment tax as a credit or estimate payment on my return?
- 712 – What is the minimum franchise tax?
- 714 – I'm not doing business; do I have to pay the minimum franchise tax?
- 716 – When are my estimate payments due?

Billings and Miscellaneous Notices

- 723 – I received a bill for \$250. What is this for?
- 728 – Why was my corporation suspended?
- 729 – Why is my subsidiary getting a request for a return when we file a combined report?

Tax Clearance

- 724 – How do I dissolve my corporation?
- 725 – What do I have to do to get a tax clearance?
- 726 – How long will it take to get a tax clearance certificate?
- 727 – My corporation was suspended/forfeited. Can I still get a tax clearance?

Miscellaneous

- 700 – Who do I need to contact to start a business?
- 701 – I need a state ID number for my business. Who do I contact?
- 702 – Can you send me an employer's tax guide?
- 703 – How do I incorporate?
- 719 – How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720 – How do I change my corporation name?
- 721 – How do I change my accounting period?
- 732 – What is the Water's-Edge Election?
- 737 – Where do I send my payment?
- 738 – What is electronic funds transfer?
- 739 – How do I get a copy of my state corporate tax return?

Letters

We can serve you if you call us for information to complete your California tax return, or to find out about your tax refund. However, you may want to write to us if you are replying to a notice we sent you, or to get a written reply. If you write to us, be sure your letter includes the California corporation number or federal employer identification number (FEIN), your daytime and evening telephone numbers and a copy of the notice with your letter. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0540

We will acknowledge receipt of your letter within eight to ten weeks. In some cases we may need to call you for additional information.

Your Rights As A Taxpayer

Our goal at the FTB is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. You can order FTB Pub. 4058 by calling or writing the FTB using the address above for letters.

Where to Get Income Tax Forms

By Internet – If you have Internet access, you may download, view and print California tax forms and publications. Our Internet address is:
<http://www.ftb.ca.gov>

By phone — Use F.A.S.T. to order 1994, 1995, 1996 and 1997 California tax forms.

We will send you two copies of each tax form and one copy of each set of instructions. Please allow two weeks to receive your order.

In person — Most libraries, post offices and banks provide free California tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks and quick print businesses cannot provide tax information or assistance.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

General Toll-Free Phone Service

Our general toll-free phone service is available from 7:00 a.m. to 8:00 p.m. Monday through Friday from January 2 through April 15, 1998. The best times to call are between 7:00 a.m. and 10:00 a.m. and between 6:00 p.m. and 8:00 p.m. Service is also available on Saturday, April 4 and April 11, from 8:00 a.m. until 5:00 p.m. After April 15, service is available Monday through Friday, from 8:00 a.m. until 5:00 p.m.

From within the
United States 1-800-852-5711

From outside the
United States 1-916-845-6500
(not toll-free)

For hearing impaired
with TDD 1-800-822-6268

For federal tax questions
call the IRS at 1-800-829-1040

Asistencia Bilingüe en Español

Para obtener servicios en Español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

